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## Hungary

### Fresh Deciduous Fruit

### Annual Report

**2004**

**Approved by:**

Sarah Hanson  
U.S. Embassy

**Prepared by:**

Dr. Ferenc Nemes

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**Report Highlights:**

This year's apple crop will be five to 13 percent larger than last year due to favorable spring weather. The majority of the crop will go to apple juice concentrate with exports expected to increase slightly due to the large carryover stock and deflated prices. Concentrate imports are expected to remain stable despite rising competition from low cost suppliers. Hungary's fresh apple consumption will continue to grow after a drop in consumption in the early 1990s. Fresh apple exports will remain marginal but growing.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Vienna [AU1]  
[HU]

## Weather

Spring weather was favorable for fruit production this year. Sporadic late spring frosts resulted in less than average damages. The crop size will exceed the low yields of 2003. Fruit size and quality, however, will be only average. Fungus infestation due to rainy weather resulted in enhanced chemical treatment costs and effected fruit appearance.

## Production

The Hungarian Vegetable and Fruit Product Council estimates a 5 to 13 percent increase for the apple crop this year, up to 650,000 to 680,000 MT. Modern commercial orchards produce popular new table varieties. However, most of the production is still dominated by Jonathan, Starking and Idared.

## PS&D Fresh Apples

Country Commodity	Hungary		Apples, Fresh				(HA)(1000 TREES)(MT)	
	2002	Revised	2003	Estimate	2004	Forecast	UOM	
Market Year Begin	USDA Official [	Estimate [DA	Official [	Estimate [DA	Official [	Estimate [New]		
	07.2002			07.2003		07.2004	MM/YYYY	
Area Planted	17400	17400	16000	16000	0	18000	(HA)	
Area Harvested	17400	17400	16000	16000	0	18000	(HA)	
Bearing Trees	10000	10000	9500	9500	0	10000	(1000 TREES)	
Non-Bearing Trees	1500	1500	1000	1000	0	1500	(1000 TREES)	
Total Trees	11500	11500	10500	10500	0	11500	(1000 TREES)	
Commercial Production	356000	356000	306000	316000	0	430000	(MT)	
Non-Comm. Production	184000	184000	174000	184000	0	250000	(MT)	
TOTAL Production	540000	540000	480000	500000	0	680000	(MT)	
TOTAL Imports	9210	9210	6000	11000	0	8000	(MT)	
TOTAL SUPPLY	549210	549210	486000	511000	0	688000	(MT)	
Domestic Fresh Consump	145000	145000	138000	140000	0	147000	(MT)	
Exports, Fresh Only	9000	9000	10000	8000	0	12000	(MT)	
For Processing	395210	395210	338000	363000	0	529000	(MT)	
Withdrawal From Market	0	0	0	0	0	0	(MT)	
TOTAL UTILIZATION	549210	549210	486000	511000	0	688000	(MT)	

## Inputs

The Government of Hungary (GOH) paid considerable investment subsidies and interest repayments (on loans for new orchards) up to May 2004. Under the EU's Common Agricultural Policy (CAP), Hungarian apple producers get the basis 'area payment'. This is only 25% of the same allotment given to farmers of the previous EU-15 countries. In 2004, the payment amounts to HUF 18,000/ha (USD 88/ha). Apple producers may apply for further infrastructure (irrigation, storage), marketing, and environmental support under different CAP programs via their sales organizations (cooperatives). So far, only 19 such farm cooperatives have been established in the apple production sector in Hungary, covering only ten percent of producers. Given that there is no "commodity program" for horticultural production, the EU support system requires better cooperation among producers and larger financial contributions from participants (than compared to the previous horticultural support system in Hungary).

Fertilizer use (in active ingredient kilograms) increased in 2002 to 92 kg/ha, but it is still under the 127 kg/ha level that was reported in 1990.

### Consumption (Apples)

Domestic consumption of fresh apples decreased from 25-30 kg/year per capita in the early 1990s to about 12 kg in 2002. Reasons include the increased competition from tropical and off-season fruit, as well as weaknesses in the Hungarian domestic fresh apple supply. During recent years, domestic table apple consumption has increased slowly. However, imported off-season fruit is supplying part of this demand. In addition, inexpensive Polish apples may become competitive with domestic table apples given both countries recent EU accession.

Hungarian producers were not interested in grading and storing their product in the last years. Depressed prices in supermarket chains were hardly above the bulk crushing apple prices. Moreover, because Hungary lost its table apple market in the Former Soviet Union countries and was unable to compete in western European markets there is no real pressure to change varieties and technology.

The Government of Hungary is working on a "school apple" social and nutritional program. Similar to the "school milk" program that created a new domestic market by distributing free milk for breakfast in participating schools, the program would provide schoolchildren with free apples.

Due to high carryover stocks of juice concentrate at processors and sinking concentrate prices in the European market, processors may pay lower prices for apples this season. Late fall losses of fruit kept in emergency farm storage may also be higher than usual.

### Prices

Wholesale market prices for fresh table apples through the production year were as follows:

HUF/kilogram

2003	November	60-100
2004	February	65-125
2004	April	50-80
2004	June	150-170
2004	July	125-250
2004	September	70-80

(USD 1 was equal HUF 215 in 2003 and HUF 208 in 2004)

The average wholesale price in Hungary in September 6, 2004 was the following for some of the main varieties (HUF/kilogram):

Early Gold	80
Jonathan	70
Jonagold	60
Gala	70
Idared	60

The average price of apples for processing was HUF 18-22/kilogram in 2003, including HUF 5/kg government subsidy. Farm organizations expect major reduction of this price level to HUF 8-11/kg this year, due to a saturated market and low demand.

## **Trade**

Hungary's table apple exports have been stagnating since 1998 at the 6,000-7,000 MT level. It was 8,449 MT in 2003. GOH delegations visiting Moscow in 2003 tried to revitalize the once important Russian market for Hungarian table apples. Despite major promotion efforts, an export refund of HUF 24/kg (USD 0.12/kg), and a brave trade agreement for about 8,000 MT of table apples, Hungarian firms realized only 200 MT in sales to Russia in late 2003 and 900 MT in 2004.

Imports of off-season table apples exceed exports. Sources are usually from countries in the southern hemisphere. However, EU countries (Italy, France, Austria) are increasingly supplying Hungary due to their better storage practices. Imports were 11,100 MT in 2003.

## **Apple Juice**

### **Production**

The majority of the Hungarian apple crop is used for processing apple juice concentrate. In 2004, European prices for concentrate dropped from 800-900 Euro/MT to 600 Euro. According to industry estimates, unsold stocks of apple concentrate held at processors may amount to 10,000-13,000 MT.

### **Consumption (Juice)**

Domestic demands for soft drinks increased 8 percent in the very hot 2003 year. The long-term growth of sales in the sector is about 4 percent annually. However, the changing product mix does not support apple juice consumption. Consumption of mineral water, and low fruit content drinks are on the rise. Stagnating domestic use and bearish export markets resulted in high apple concentrate stocks before the arrival of the new crop.

### **Production Costs**

Hungary's fruit juice market is very competitive. There are five major producers, taking 80 percent of the domestic market and 100 percent of exports. However, beverage giants such as Coca-Cola and Pepsi have recently entered the domestic fruit juice market with their new products.

In the raw materials sector, competitors from the EU (Greece and Italy) will reduce prices for peach, pear, apricot, and grape concentrates. Production costs of juice makers may be increased by the growth of import tariffs from 7 to 12.5 percent, the climbing sugar prices, and the enhancement of the environmental fee on (non-recycled) packaging materials.

## **Trade**

Main markets for Hungarian apple juice concentrate are Germany, Austria and the United States. The United States imports USD 8-14 million worth of concentrate from Hungary annually.

The volume of exports dropped almost 20 percent in 2003. Imports, mainly from low cost suppliers such as China and the neighboring Ukraine and Romania, increased.

PS&amp;Ds for Apple Juice Concentrate

Country	Hungary						
Commodity	Apple Juice, Concentrated						(MT)
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [New]	USDA Official [	Estimate [New]	USDA Official [	Estimate [New]	
Market Year Begin	07.2002		07.2003		07.2004		MM/YYYY
Deliv. To Processors	395210	395210	338000	363000	0	529000	(MT)
Beginning Stocks	0	0	0	0	0	0	(MT)
Production	50000	50000	46000	48000	0	68000	(MT)
Imports	7000	7000	5000	9000	0	5000	(MT)
TOTAL SUPPLY	57000	57000	51000	57000	0	73000	(MT)
Exports	29000	29000	23000	23000	0	25000	(MT)
Domestic Consumption	28000	28000	28000	34000	0	48000	(MT)
Ending Stocks	0	0	0	0	0	0	(MT)
TOTAL DISTRIBUTION	57000	57000	51000	57000	0	73000	(MT)